

Message Text

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ACTION EUR-12

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SUBJECT: ESCAPE CLAUSE PROCEEDING ON ALLOY STEEL

REFS: (A) STATE 012719, (B) USEC BRUSSELS 00581

1. CONCERNS BEING REPORTED BY OTHER POSTS OVER JAN. 16
RECOMMENDATION BY ITC REGARDING ALLOY STEEL PRODUCERS'
ELIGIBILITY FOR IMPORT RELIEF ARE SHARED AT OECD, WITH
GENERAL FEELING THAT RESTRICTIVE ACTION IN THIS FIELD BY
US WOULD MAKE IT HARD FOR OTHERS TO HOLD LINE AGAINST
PROTECTIONISM. FOREGONE CONCLUSION IN MIND OF MOST IS
THAT SUCH ACTION WOULD ENDANGER TRADE PLEDGE AND THAT
MULTILATERAL CONSULTATIONS WILL AT SOME POINT BE IN ORDER.

2. THUS SOME FORM OF DISCUSSION IN OECD SEEMS PRACTICALLY
INEVITABLE, EITHER AT OUR INITIATIVE OR AT SOME OTHER
DELEGATION'S REQUEST. IN THESE DISCUSSIONS US WOULD BE
FACED WITH PROBLEM OF RESPONDING TO OTHERS' CONCERNS IN
A WAY CONSISTENT WITH OUR OWN RECENT PUBLICLY EXPRESSED
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ATTITUDE TOWARD THE DANGERS OF RESTRICTIVE ACTION IN

PRESENT WORLD ECONOMIC CIRCUMSTANCES, FOR EXAMPLE IN THE CASE OF THE MEASURES TAKEN BY THE UK IN DECEMBER. US HAS, OF COURSE, STRONG INTEREST IN CONTINUED VIABILITY OF TRADE PLEDGE, WHICH US PLAYED A CENTRAL ROLE IN ESTABLISHING AND WHICH HAS BEEN STRONGLY REAFFIRMED BY PRESIDENT FORD AT RAMBOUILLET AND BY SECRETARIES KISSINGER AND SIMON AT 1975 OECD MINISTERIAL MEETING.

3. THERE WOULD SEEM TO BE A VARIETY OF PURPOSES WHICH CONSULTATIONS UNDER TRADE PLEDGE COULD SERVE IN THE CONTEXT OF THE ADMINISTRATION'S RESPONSE TO THE ITC RECOMMENDATION, AND OPTIMUM TIMING MAY WELL DEPEND ON SPECIFIC PURPOSE ENVISIONED. DEPARTMENT WILL RECALL THAT EC COMMISSION HAD SPECIFIC PURPOSE IN CALLING FOR CONSULTATIONS IN NOVEMBER, WHICH WAS TO PROVIDE SAFETY VALVE FOR PROTECTIONIST PRESSURES, AND DATE OF TALKS WAS ADVANCED CONSIDERABLY FROM THAT ORIGINALLY CONTEMPLATED IN ORDER TO ACHIEVE THIS OBJECTIVE. OTHER PARTICIPANTS FOUND COMMISSION'S GOAL ACCEPTABLE AND PLAYED ALONG, AGREEING TO THE KIND OF PROCEDURAL OUTCOME OF MEETING WHICH COMMISSION REQUIRED FOR INTERNAL EC PURPOSES. NEW CONSULTATIONS IN OECD MIGHT FURTHER AID COMMISSION IN RESISTING PROTECTIONIST PRESSURES. HOWEVER, US APPROACH TO SUCH CONSULTATIONS SHOULD BE BASED ON AN IN-DEPTH EVALUATION OF THE ROLE THEY WOULD PLAY IN COPING WITH OUR OWN PROBLEMS.

4. IN THIS CONTEXT, MISSION SEES SOME ADVANTAGE TO US TAKING INITIATIVE TO REQUEST CONSULTATIONS IF ONLY BECAUSE IT WOULD, TO SOME EXTENT, PUT US IN BETTER POSITION TO CHOOSE TIME, FORUM, AND NATURE OF DISCUSSION. FOR EXAMPLE, SINCE PARTICIPANTS IN THE NOVEMBER STEEL CONSULTATION AGREED TO CONTINUE, AS NECESSARY, THE CONSULTATION AND EXCHANGE OF INFORMATION, A US INITIATIVE COULD BE PORTRAYED IN TERMS OF A CONTINUATION OF THE EARLIER EXERCISE (AND THUS WITH PERHAPS A BROADER FOCUS THAN THE PROBLEM OF THE US INDUSTRY) IF US FOUND THIS DESIRABLE. IF US DOES NOT TAKE INITIATIVE, IT WILL OF COURSE HAVE TO RECKON WITH THE POSSIBILITY THAT COUNTRIES STANDING TO BE SERIOUSLY AFFECTED BY ACCEPTANCE OF ITC RECOMMENDATION LIMITED OFFICIAL USE

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TION COULD PUT FORWARD A REQUEST FOR CONSULTATIONS AT ANY TIME.

5. WHATEVER APPROACH IS ADOPTED TOWARD CONSULTATIONS, MISSION WOULD RECOMMEND THAT US MAKE IT KNOWN NOW THAT IT WILL OFFER EXPLANATION OF US ESCAPE CLAUSE PROCEDURES AND FINDINGS OF ITC INVESTIGATION AT FEB. 3-4 MEETING OF TRADE COMMITTEE. US INITIATIVE OF THIS SORT WOULD MAKE

FAVORABLE IMPRESSION WHILE COSTING VERY LITTLE, SINCE IT
SEEMS HIGHLY LIKELY OTHERS WILL RAISE ISSUE AT TC IN ANY
EVENT.
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